

City of Detroit

CITY COUNCIL

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TO: COUNCIL MEMBERS

FROM: Irvin Corley, Jr., Fiscal Analysis Director *ICJ*
Derrick Headd, Fiscal Staff Analyst *DH*

DATE: June 2, 2010

RE: DEGC Detroit Brownfield Plans Report

In the Planning and Economic Development Committee meeting of May 20, 2010, the DEGC (Detroit Economic Growth Corporation) submitted its report on the 177 Brownfield Development Plans currently listed in the city of Detroit. Councilmember Cockrel, upon his initial review, expressed his concern about the report, given that he knew firsthand that several of the projects listed that had been approved “prior to the (Detroit) Super Bowl”, to-date, have had little to no activity on their sites. Subsequently, Councilmember Cockrel asked Fiscal to address his concern over the lack of activity on several of the Brownfield sites and to provide an opinion on the issue. This report is a response to Councilmember Cockrel’s concerns.

Brownfield Redevelopment Financing Act (PA 381 of 1996)

The Brownfield Redevelopment Financing Act 381 of 1996 provides tax incentives (i.e. Michigan Small Business Tax Credit and tax increment financing) to develop brownfields (including, but not limited to, tax reverted, blighted, or functionally obsolete property).

DEGC Detroit Brownfield Plans Report

The DEGC report on Detroit Brownfields includes data for 177 Brownfield Plans. The plans included 174 plans approved by Council from the first on November 1, 2000, through November 20, 2009. In addition to the 174 approved projects, your Honorable Body currently has 3 projects pending your approval, the recently submitted projects of Dickerson Manor, Green Garage and 3169 Woodward Avenue, which are included in the DEGC report, thereby providing for the total of 177 projects detailed in the report.

The data submitted by the DEGC listed the project plans which totaled an overall potential investment of over \$6 billion, an overall SBT/MBT amount of over \$285 million, a TIF (Tax Increment Financing) Reimbursement amount of over \$583 million, a TIF Revolving Loan Fund of over \$110 million, an overall jobs total of 14,365 and 9,474 individual housing units. All of this includes the \$1.9 billion Marathon project, which represents **31.66%** of the total \$6 billion Brownfield investment citywide. We give a summary and our overall analysis of this detail on the next page.

Detroit Brownfield Plans Data

Item	Investment	SBT/MBT Amount	Amount (TIF)	Fund (TIF)	Jobs	Units
Average Per Project based on 177 total projects	\$33,906,264	\$1,612,055	\$3,296,797	\$623,632	81	54
Average Per applicable project <u>Minus \$1.9 Billion Marathon Project</u>	\$23,303,459	\$1,591,525	\$9,411,824	\$1,870,895	150	82
Average Per applicable Project	\$33,906,264	\$1,639,849	\$9,411,824	\$1,870,895	150	82
Totals <u>Minus \$1.9 Billion Marathon Project</u>	\$4,101,408,754	\$275,333,799	\$583,533,117	\$110,382,811	14,230	9,474
Grand Totals	<u>\$6,001,408,754</u>	<u>\$285,333,799</u>	<u>\$583,533,117</u>	<u>\$110,382,811</u>	<u>14,365</u>	<u>9,474</u>

Conclusion and Recommendation

The numbers above on their face alone appear to paint a promising picture. We do, however, agree with Councilman Cockrel, in that a closer examination of Detroit's individual Brownfield Plans is required. Dormant Detroit parcels designated for projects that are not going to occur, are more of a detriment to the city than a benefit. All but three of the 177 projects have received SBT (Single Business Tax) or MBT (Michigan Business Tax) tax credits (The Michigan Business Tax replaced the Michigan Single Business Tax, as of January 1, 2008). According to the statement of DEGC at the Council table, and our review of the language governing Brownfield Plans that involve the inclusion of State of Michigan Tax credits, 174 of the 177 projects or roughly 98.3% of the projects are required to be completed within five years, unless otherwise extended under the provisions of the Michigan Business Tax Act (Act 36 of 2007).

Under the provisions of the Michigan Business Tax Act, a Brownfield Plan taxpayer can petition the Michigan Economic Growth Authority (MEGA) to extend "the duration of time provided to complete the project, as long as that extension does not exceed 10 years from the date of the preapproval letter." According to the list provided by DEGC, not accounting for the amended projects, 74 projects alone were approved by Council prior to January 1, 2005. The Federal Reserve Bank of Chicago is the only one of the 74 that did not receive any SBT/MBT tax credits, so the 5-year threshold would not apply for this one. If any of the remaining 73 projects have not been completed, the DEGC should let the Council know and report on why an extension was not requested. If the project has failed, the DEGC should inform the Council of a recommended course of action for the respective sites. It is our opinion, that the dormant parcels be reexamined in order to facilitate their most useful future use.

Please contact us if we can be of any further assistance.

Attachment

Council Divisions
Auditor General's Office
Warren Palmer, Planning & Development Department
Marja M. Winters, Planning & Development Department
Art Papapanos, DEGC
Norman White, Chief Financial Officer
Pamela Scales, Budget Director
Linda M. Bade, Chief Assessor
Kim Miller, Finance Assessors
Kamau Marable, Mayor's Office

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MGW_ 10:15 A.M. – DISCUSSION – RE: Discussion with the Taxing Jurisdictions regarding the impact of the Brownfield Redevelopment Plans (Taxing Units; Detroit Brownfield Redevelopment Authority) DISCUSSION HELD; REFER TO DETROIT ECONOMIC GROWTH CORPORATION (DEGC), CITY COUNCIL FISCAL ANALYSIS DIVISION AND CITY PLANNING COMMISSION; BRING BACK JUNE 3, 2010 AS LINE ITEM – (NOTES)

obsoletes, the determination is made by the Assessors. After the site is classified as a facility and the plan is submitted to our office, then we forward the plan to the Community Advisory Committee and upon recommendation of the Committee goes to the boards and after approval by the boards, is sent to City Council for approval.

There are two kinds of incentives that are provided through the Brownfield Plan. The first incentive is if the site is a facility and there are expenses in cleaning the site as well as for demolition expenses or site preparations or infrastructure, all of these expenses are reimbursed to the developer through a DP awry collecting the incremental property taxes from the property and reimbursing the developer.

In the second incentive is that over and above this reimbursement of expenses, the State of Michigan provides Michigan Tax Credits to the developer that is between...

Jenkins: Excuse me.

Papapanos: Yes?

Jenkins: Did you give us three for a specific reason? We each got three copies.

K. Cockrel, Jr.: They look like they're all the same.

Papapanos: No, the first is projects 1-50, the second one is from 50-100, and the third is from 100-177.

Jenkins: We each got three of each packet.

Papapanos: No, just one.

Jenkins: Okay.

K. Cockrel, Jr.: That's what I thought.

Jenkins: Thank you.

Papapanos: So these are the two incentives that that are provided, and one we have given you here is a map that shows sites of all of our projects since inception of 2001. And the last page is a spreadsheet that shows the quantitative activity of the Authority. Of the 177 projects, the potential investment to the City of Detroit is \$6 billion dollars.

The SPD Tax Credit that goes to these projects from the State of Michigan is \$286 million dollars, a \$583 million dollars in Tax Increment Financing reimbursements. This

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PLANNING AND ECONOMIC DEVELOPMENT STANDING COMMITTEE

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reimbursement, though, it's not only the City of Detroit. It's reimbursements from all taxing entities.

There are 14,300 jobs created or retained with these projects and about 9500 housing units to be built. So this is collectively the activity of the Authority.

K. Cockrel, Jr.: MR. PAPAPANOS, THIS IS USEFUL INFORMATION, BUT WHAT I WOULD LIKE TO GET IS, NOT NECESSARILY AN AMENDMENT TO THIS, BUT A REPORT ON HOW MANY OF THESE PROJECTIONS ARE TRULY ACTIVE OR UNDER WAY? Just scrimping through this, there are some on here that I know they may have been designated, but absolutely nothing is going on.

Papapanos: Yes.

K. Cockrel, Jr.: Like the Detroit Light Building, for example. I think that was announced around the time that the Super Bowl came to Detroit and as far as I can tell, nothing has happened there and there are some others on this list that are the same.

Papapanos: Definitely. Through the Chair, definitely, Council Member Cockrel, but the stature gives him some time. The State of Michigan gives him about 5 years.

K. Cockrel, Jr.: I see some of those properties exceeded 5 years.

Papapanos: So I don't think they exceeded the 5 year. WE UNDERSTAND THAT, BUT, YES, WE'RE GOING TO PROVIDE THAT REPORT.

K. Cockrel, Jr.: Yes, because we need to see that. And it seems to me that they haven't done anything and if the time is running out or has run out, then those...

Papapanos: Yes, they're going to be taken out.

K. Cockrel, Jr.: Those designations should be...

Papapanos: definitely.

K. Cockrel, Jr.: I THINK WE NEED TO GET THAT LIST AND GET IT AS SOON AS POSSIBLE. AND COULD WE HEAR ALSO FROM FISCAL ANALYSIS ON THAT?

Jenkins: YES.

K. Cockrel, Jr.: AND CPC AS WELL?

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PLANNING AND ECONOMIC DEVELOPMENT STANDING COMMITTEE

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Jenkins: Good morning, Mr. Headd. Mr. Cockrel, I'll just remind you our Executive Session starts at 10:45 today. We'll be late, but let's...

K. Cockrel, Jr.: I think we're all getting kind of used to being here all day and in to the early evening. Hopefully, this will be the last day of that, though.

Jenkins: Right.

Mr. Derrick Headd, City Council Fiscal Analysis Division: Thank you, Madam Chair. Yes, what would be helpful is for us to receive that information that you have in front of you, so we could see the year that that project was presented and then we can comment on that. We'll be happy to present you a report and bring it back in about a week.

Jenkins: We definitely have some extra copies. Thank you. And the same, Mr. Bolger?

Mr. Rory Bolger, Deputy Director, City Planning Commission: We'd be interested in seeing the material that has been presented.

Jenkins: **HOW ABOUT WE BRING THAT BACK AS A LINE ITEM...A WEEK OR TWO WEEKS? AND THEN YOU ALL CAN SUBMIT THE REPORT.**

Papapanos: Two weeks, we'll appreciate.

Jenkins: **TWO WEEKS?**

Papapanos: Yes.

Jenkins: **THANK YOU AND THEN AT THAT TIME WE'D LIKE FOR FISCAL AND CPC TO WEIGH IN ON IT AS WELL.**

K. Cockrel, Jr.: **SO MOVED.**

Jenkins: That okay?

Headd: Yes, Madam Chair.

Jenkins: Thank you.

Millicent Winfrey



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Detroit Brownfield Plans
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